

Message Text

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INFO OCT-01 EUR-25 ISO-00 EB-11 OMB-01 L-03 RSC-01 /042 R

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DRAFTED BY TRSY;OS:MFEINBERG

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TRSY:NNGORDON IN DRAFT

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EUR/NE: CARROLL

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R 092223Z MAY 74

FM SECSTATE WASHDC

TO AMEMBASSY LONDON

UNCLAS STATE 096508

E.O. 11652:N/A

SUBJECT: UK PROPOSED TAX LEGISLATION

REF: LONDON 5590

1. LINE TAKEN IN INFORMAL EMBASSY CONVERSATIONS THE
CORRECT ONE. FOR OFFICIAL POSITION, EMBASSY MAY DRAW ON
THE FOLLOWING:

2. THE USG RECOGNIZES THAT THE PROPOSED UK LEGISLATION
AFFECTING UK TAX ON INCOME DERIVED FROM OUTSIDE THE UK
BY US CITIZENS WILL, IN MANY INSTANCES, INCREASE THE
BURDEN OF UK TAX ON SUCH US NATIONALS. HOWEVER,
EVEN WITH THE PROPOSED MODIFICATIONS, THE TAX TREATMENT OF THESE
INDIVIDUALS BY THE UK IS MORE FAVORABLE THAN THAT BOTH OF
UK NATIONALS IN THE UK AND UK NATIONALS IN THE US.

3. THE PROPOSED CHANGES DO NOT CONTRAVENE THE PRESENT
US-UK TREATY. IN VIEW OF THE FACT THAT UK NATIONALS AND
PERMANENT RESIDENTS DO NOT GET THE BENEFIT OF
50 PERCENT INCLUSION RATE, UK PROPOSALS DISCRIMINATE IN
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FAVOR OF US NATIONALS IN THE UK.

4. SINCE UK NATIONALS RESIDENT IN THE US ARE SUBJECT TO US TAX ON THEIR GLOBAL INCOME, IN THE SAME MANNER AS A US CITIZEN, IT WOULD NOT BE APPROPRIATE FOR THE USG TO INTERVENE WITH THE UK GOVERNMENT ON BEHALF OF OUR CITIZENS WHO ARE RESIDENT IN THE UK. WE HAVE NO BASIS FOR ASKING THE UK GOVERNMENT TO PROVIDE MORE FAVORABLE TREATMENT FOR OUR CITIZENS THAN WE PROVIDE FOR THEIR CITIZENS IN THE REVERSE SITUATION.

5. FURTHERMORE, US CITIZENS ARE SUBJECT TO US TAX ON THEIR WORLDWIDE INCOME, SUBJECT TO THE BENEFITS OF CODE SECTION 911, AND A CREDIT IS ALLOWED FOR UK TAXES PAID. IMPOSITION OF UK TAX ON ONLY HALF OF INCOME OF A US CITIZEN IN THE UK SHOULD LARGELY OFFSET THE EFFECTS OF THE MORE STEEPLY PROGRESSIVE UK TAX.
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